

Message Text

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22

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 L-03 CIAE-00 COME-00 DODE-00

DOT-00 FMC-02 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06

OES-06 CAB-05 CIEP-02 FAA-00 /050 W

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R 171456Z SEP 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 7132

UNCLAS BUENOS AIRES 6062

E.O. 11652: N/A

TAGS: EGEN, ETRN, EWWT, EAIR, AR

SUBJ: MUNICIPAL TAX ON FREIGHT

1. EMBASSY HAS BEEN APPROACHED BY U.S. SHIPPING AGENTS IN ARGENTINA (MOORE MCCORMACK, PRUDENTIAL GRACE AND DELTA LINE) FOR ASSISTANCE IN DEALING WITH A DEMAND FOR PAYMENT OF TAXES BY THE MUNICIPALITY OF BUENOS AIRES. THESE COMPANIES ARE BEING REQUESTED TO PAY AN AD VALOREM TAX ON FREIGHT REVENUES. LOCAL AGENTS OF U.S. MARITIME FIRMS CLAIM THIS TAX IS UNCONSTITUTIONAL AND IN VIOLATION OF TERM OF DOUBLE TAXATION TREATY OF JULY 20, 1950 WITH USG.

2. EMBASSY HAS PROTESTED MUNICIPALITY'S ATTEMPT TO LEVY TAX BY MEANS OF A DIPLOMATIC NOTE. ALTHOUGH WE DO NOT YET HAVE A FORMAL REPLY TO OUR NOTE (DATED AUG 3RD), WE HAVE BEEN INFORMED UNOFFICIALLY THAT FOREIGN OFFICE DOES NOT BELIEVE SPECIFIC TAX MUNICIPALITY WISHES TO IMPOSE IS COVERED BY DOUBLE TAXATION AGREEMENT. ADDITIONALLY, CHIEF OF LEGAL SECTION OF FOREIGN MINISTRY POINTS OUT THAT ARGENTINE LAW MENTIONED IN FIRST PARAGRAPH OF AGREEMENT HAS BEEN SUPERSEDED. FOREIGN MINISTRY OFFICIAL

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SUGGESTED THAT TREATY SIMPLY BE RENEGOTIATED,

TO INCLUDE MENTION OF THE TAX BEING SOLICITED
BY THE MUNICIPALITY AND DELETING REFERENCE TO
ANY SPECIFIC PIECE OF ARGENTINE LEGISLATION
BECAUSE OF THE DANGER THAT SUCH LEGISLATION
MAY BE AGAIN SUPERSEDED, INVALIDATING THE
TREATY.

3. REPRESENTATIVES OF SEVERAL OTHER COUNTRIES
AFFECTED BY THIS MEASURE HAVE MADE FORMAL
REPRESENTATIONS TO THE ARGENTINE FOREIGN OFFICE
ON THIS ISSUE. THE ITALIANS, WHO ARGUED THAT
TREATIES IN FORCE BETWEEN ITALY AND GOA ALSO
MADE IT INAPPROPRIATE FOR MUNICIPALITY TO
LEVY THIS TAX, HAVE RECEIVED REPLY FROM
FOREIGN OFFICE INDICATING ESSENTIALLY, THAT AS
TAX ON FREIGHT REVENUE NOT SPECIFICALLY RULED
OUT IN THEIR TREATIES, MUNICIPALITY IS WITHIN
THEIR RIGHT IN COLLECTING IT. THE GOVERNMENT
OF BRAZIL SIGNED A BILATERAL LETTER OF
AGREEMENT WITH THE GOA AMENDING THEIR FCN
TREATY AND CLARIFYING THE ISSUE OF DOUBLE
TAXATION ON EARNINGS DERIVED FROM SHIPPING
AND AIR NAVIGATION OPERATIONS.

4. EMBASSY RECOMMENDS DEPT. CONSIDER
RENEGOTIATING OR AMENDING THE U.S./ARGENTINA
DOUBLE TAXATION AGREEMENT.
HILL

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